



Annual Program Statement for USAID/South Africa's

Program for Employment Creation through Agribusiness and Small, Medium and Micro Enterprise Development

I. Summary

This Annual Program Statement (APS) solicits proposals in support of USAID/South Africa's program to increase market-driven employment. The program is designed to stimulate employment through the growth of historically disadvantaged (HD) agribusinesses and small, medium and micro-enterprises (SMMEs). Applications are encouraged from organizations that are currently implementing activities in South Africa that could support USAID's employment program objectives. Historically disadvantaged enterprises are those with at least 25 percent of their shareholders being black, Indian, colored, female and/or disabled. For the purpose of this APS, SMMEs includes enterprises in the agricultural, manufacturing and services sectors.

The APS: (1) describes USAID/South Africa's strategy for supporting private sector employment creation and (2) explains the application submission process and the criteria that will be used to evaluate applications.

USAID/South Africa anticipates awarding three to five grants to applicants under this Annual Program Statement based on the quality of submissions and the amount of funding available to USAID/South Africa's Market-Driven Employment Generation program. **It is expected that a portion of the funds available under this APS will be set aside to support microenterprise activities.**

Applications may be submitted any time through **December 2005**. Applications shall be **reviewed in July 2005 and quarterly thereafter** until the expiry date of the APS. Grant awards will be based on justified cost requirements and shall not exceed the South African Rand equivalent of **\$350,000** per application. Grants shall be awarded for a period not to exceed 17 months and in all cases be completed before December 31, 2006.

USAID/South Africa will use this APS to consider innovative and creative programs to promote employment generation through growth of historically disadvantaged SMMEs in the agribusiness, manufacturing and services sectors. Programs that support the development of microenterprises so that they can graduate to the small business category and maximize opportunities for creating employment are of particular interest.

II. Employment Creation Strategy

A. Program Description

This APS solicits proposals for programs in support of USAID/South Africa's strategic objective to increase market-driven employment through activities that promote growth of

historically disadvantaged SMMEs. Grant activities proposed under this APS should directly support that objective.

With unemployment rates in South Africa running at close to 30%, employment generation is a top priority of the South African Government and, according to a recent survey by the Institute for Democracy in South Africa, it is the number one priority among South Africans, particularly among historically disadvantaged groups. Reflecting South Africa's high unemployment rate, over 50% of the population lives below the poverty line. The majority black population, particularly women, are the hardest hit. USAID/South Africa's strategic approach to creating employment is based on the premise that growth in the SMME and agribusiness sectors is critical to generating new jobs that will help to reduce poverty and inequality. For more information about USAID/South Africa's employment generation program, applicants are encouraged to review the Mission website: www.sn.apc.org/usaidsa.

B. Program Objectives

Programs seeking funding under this APS should be directly aimed at achieving one or more of the following program components noted in bold print and should directly lead to increased employment.

Identifying and Developing Markets for SMMEs and Agribusiness: In the past, historically disadvantaged SMMEs, had little or no opportunity to take advantage of existing market systems within South Africa or internationally, nor have they had access to the information and technological inputs necessary to produce value-added products. Illustrative examples of activities that might address these challenges include:

- Assisting emergent agribusinesses and SMMEs in identifying market niches and developing strategies to reach target markets; and
- Expanding business and investment partnerships between historically disadvantaged South African businesses and larger established businesses in South Africa and the wider global economy through such services as technical assistance, mentoring, matchmaking, training, research, marketing and after care.

Enhancing the Capacity of Historically Disadvantaged SMMEs to Respond to Market Opportunities: Weak business and financial management skills are consistently identified as major constraints to the growth and development of small businesses. Also, enterprises often need new or upgraded technology to meet the quality standards of new or expanding markets. Illustrative examples of activities that might address these challenges include:

Providing innovative services and inputs (such as capacity building, financial services, business/marketing plan development, quality certification services, and appropriate production technology) that support SMMEs to enter and stay in competitive markets;

Supporting sustainable models for historically disadvantaged SMMEs to develop business management, marketing and entrepreneurial skills;

Assisting historically disadvantaged SMMEs to take advantage of relevant Black Economic Empowerment (BEE) charters;

Assisting historically disadvantaged farm workers to purchase agricultural enterprises from large commercial farmers looking to sell, by helping to structure viable transactions that will lead to sustainable enterprises and employment.

Increasing Access to Finance for Historically Disadvantaged Agribusinesses and SMMEs: SMMEs repeatedly cite access to finance as a major constraint to business growth, and efforts to establish sustainable sources of financing have met with little success. While commercial banks have recently introduced new savings and transactions services aimed for the low-income market, they have directed less attention to serving the financial needs of small business. Micro-lenders do not currently have sufficient technical capacity to adapt their products and lending methods to non-salaried individuals, households with self-employment and SMMEs. While a handful of nongovernmental organization (NGO) microfinance institutions have demonstrated the creditworthiness of microenterprise borrowers, these providers remain very small and the substantial scaling-up of their business models seems unlikely. Consequently, a critical SMME financing gaps remain. New products, innovative financing methods, boutique funds, and non-traditional sources of finance need to be developed, supported and applied on a larger scale once they prove their potential. Illustrative examples of activities that might support this objective include:

- Supporting the growth of and access to bank, non-bank and non-traditional financing institutions that have a sustainable approach to financing in the R10,000 – R100,000 range;
- Identifying and securing opportunities for increasing access to finance for SMMEs and agribusinesses through the use of the 50 percent loan guarantee offered through USAID’s Development Credit Authority;
- Helping historically disadvantaged businesses to prepare for and participate in BEE deals and affirmative procurement tendering opportunities, including development of sustainable contract financing methods by financial institutions, leasing companies, suppliers, buyers, and other players in the market;
- Enhancing or creating value chain financing for SMMEs, including agribusinesses, by their buyers, suppliers, or other chain actors, including piloting credit enhancement, insurance or other arrangements that increase the potential for value chain financing to SMMEs;
- Facilitating equity deals and export financing arrangements; and
- Developing innovative concepts for micro- and rural finance.

C. Expected Results and Their Indicators

USAID/South Africa’s employment creation program measures its progress toward achieving targeted results, listed below in bold print, by monitoring the indicators listed below. Applicants for funding under this APS shall (1) state clearly how activities they are proposing will contribute to specific indicators from this list; (2) propose targets for the specific indicators they will track;

and (3) present a performance monitoring plan that explains how indicator data will be tracked, verified and reported.

Increased Market-Driven Employment

- Net change in private sector employment of assisted enterprises

More rapid growth of SMMEs and Agribusinesses

- Number of sales by assisted enterprises
- Value of sales by assisted enterprises

Improved capacity of SMMEs/agribusinesses to respond to market opportunities

- Number of SMMEs/agribusinesses assisted

SMME/agribusiness access to financial resources increased

- Number of financial agreements supported
- Value of finance accessed by supported enterprises

III. Application Process

A. Overview

Organizations with on-going or planned activities with potential to support USAID/South Africa's employment generation objectives may submit an application for funding. The required format and content for the application are described in Section III B, below. A Selection Team that includes USAID/South Africa staff shall review and score applications received approximately quarterly. If the Team selects a proposed activity, a letter will be sent informing the applicant when negotiations are likely to begin and what additional information may be required. Likewise, USAID shall inform unsuccessful applicants in writing, explaining briefly why the application was not selected for funding.

B. Application Submission

Interested organizations shall submit an application electronically, by post, by courier or hand delivery to the address listed in Section VII below. Applications shall be submitted in the following format and shall not exceed 15 single-spaced typed pages (excluding Attachments):

- Table of Contents listing all page numbers and attachments;
- Project Abstract not to exceed one page, describing, in brief, what the program will do, what it will accomplish and how;
- Body of proposal describing the programs' strategic fit, technical approach and the organization's qualifications and past experience;
- Proposed outcomes and impact indicators (not to exceed 2 pages);
- Monitoring and Evaluation Plan (not to exceed 2 pages);
- Detailed budget denominated in South African Rands (not to exceed 3 pages); and

- Attachments should be lettered, e.g., Attachment A, and can include the resumes of key personnel, letters of support, letters from public entities, and other supporting documents.²

IV. Evaluation of Applications

USAID/South Africa will apply the evaluation process and criteria outlined below to all submissions.

A. Evaluation Process

Applications received in response to this Annual Program Statement must address the criteria detailed in Section IV. B, below.

If all of this information is not contained in the application, but the application generally has merit (particularly in terms of technical approach and strategic fit), the applicant may be requested to re-submit the proposal in accordance with these requirements.

B. Evaluation Criteria

Criteria used to evaluate applications shall include, at a minimum, the technical merits of the applications, cost effectiveness and cost realism of the application, and past performance of the applicant. Proposals received in response to this Annual Program Statement will be evaluated against the following selection criteria:

Strategic Fit: This criterion addresses the likelihood that the programs for which funding is sought will make a direct, significant and measurable contribution towards achieving the strategy described above in Section II, specifically in increasing employment opportunities through the growth of historically disadvantaged agribusinesses and SMMEs. (25 points)

Technical Approach (including key personnel): The technical approach should be methodologically sound and based on clear analysis of the challenges to be tackled. *Proposals should demonstrate, where appropriate, how the principles of Black Economic Empowerment legislation and opportunities are integrated into proposed activities.* Applicants are encouraged to present creative and innovative approaches, with the potential for replication, to deal with these complex issues. The sequence and timing of activities to be undertaken should be realistic. Proposals must clearly state the intended outcomes, and how the applicant will measure those outcomes. Baseline data, where available, should be presented. Proposals should answer the following questions: 1) What are the targeted outcomes of the proposed activities? 2) Can the proposed technical approach be reasonably expected to produce the intended outcomes? and 3) How will outcomes be measured and shared with appropriate stakeholders? The caliber of key personnel is critical. Key personnel should have demonstrated field experience relevant to activities to be managed. They should have demonstrated ability to develop collaborative relationships with counterparts, partners and other stakeholders. (25 points)

² Please note that excessive documentation submitted as attachments is neither necessary nor warranted.

Organizational Effectiveness: This criterion will be used to assess demonstrated ability of the organization (or organizations in the case of joint proposals) to deliver specific agribusiness and/or SMME services to the desired constituency, including a record of past and present experience with similar programs and activities and demonstrated effectiveness in relationships with partners and agribusiness or SMME clients. The demonstrated effectiveness of an organization will be assessed through a consideration of such factors as the organization's governance and leadership, internal structure, strategic goals and objectives, technical capacity, human and material resources, and operational management (including monitoring and evaluation capacity). Note that the organization's financial management capability is of particular concern, and that it will be assessed by a pre-award financial review. (10)

Innovation: This criterion considers the degree to which a program uses creative and resourceful interventions to address constraints and achieve results in particularly challenging situations, especially where traditional approaches may have been applied with little success. Replicable, scaleable innovations are of particular interest. (10 points)

Past Performance: All applicants will be subject to a past performance review. Applicants must submit a list of all contracts, grants and cooperative agreements involving similar or related programs over the past three years prior to receiving an award. Reference information for each agreement/contract shall include the location, current telephone numbers, points of contact and award numbers if available. A brief description of work performed is also required. This information should be attached to the Final Proposal package. (10 points)

Sustainability: This criterion considers the likelihood that, subsequent to the termination of donor support, the program or services being supported, and the results they achieve (e.g. jobs created, market linkages established), will: continue to be successfully implemented; be improved, adapted and replicated by other organizations; or result in a sustained, heightened level of knowledge and/or awareness of services among the targeted beneficiaries. (5 points)

Gender: Applications should include a statement outlining gender issues, indicating how the proposed activities will integrate and support disadvantaged gender groups and how progress and impact will be tracked, measured and reported. The technical approach in the application should describe participation and benefits for both males and females. It should also describe any anticipated gender issues that might affect achievement of intended results and how they would be addressed. (5 points)

Cost Effectiveness: This criterion considers the capability of the organization and its program approach to reach a wide base of beneficiaries at lowest cost. (5 points)

Counterpart Contribution/Leveraging of Resources: This criterion considers the ability of the organization to contribute financially or in-kind, or leverage resources through partnerships with other private or public entities, towards the activities of the grant agreement. (5 points)

TOTAL POINTS (100)

Public/Private Partnerships: Potential offerors are strongly encouraged to think innovatively and creatively about ways to solicit financial resources, be it cash or in-kind, from organizations other than the U.S. Government. These might include, for example, U.S. or South African private sector organizations or foundations. Offerors are encouraged to include such resources in the contributions listed in their proposals when possible. Public-private alliances are expected to bring together a coalition of organizations and individuals

who will jointly define a problem, situation, and solution, thereby capitalizing on the combined knowledge, skills and expertise of all partners. Foundations, private companies, NGOs and other entities have become increasingly active in financing development efforts in Southern Africa and elsewhere, and they are often looking for synergies with other similar programs.

C. Timing of Application Process

This APS will be in effect through December 2005 . Applications may be submitted any time during the validity of this APS. However, applicants should be aware that funds are limited, and that proposals of interest to the Selection Team are more likely to obtain funding early in the APS process. Proposals will be reviewed approximately quarterly.

V. Eligibility of Applicants

Applicants may be not-for-profit, South African NGOS including local offices of US private voluntary organizations (PVO) registered under South Africa's Companies Act Section 21A. For-profit organizations may apply but they may not include any profit or fee to be earned against the program budget. The participation of a US/PVO or a South African governmental or parastatal organization may be considered as a subcontractor to a successful local applicant. All applicants must be legally recognized entities under the laws of South Africa or other appropriate jurisdictions and authorized to operate in South Africa.

VI. Administration of Awards:

The awards will be administered in accordance with the following USG regulations: For U.S. organizations, 22 CFR 226, OMB Circulars and the USAID Standard Provisions will be applicable; and for non-U.S. organizations, the Standard Provisions will apply. These documents are available on the USAID website - www.usaid.gov

VII. Point of Contact

The proposal review process is being managed for USAID by the VEGA/SAAGA Program. Electronic proposal submissions are encouraged and should be submitted to the email addresses listed below. Please direct all questions and proposal submissions to:

Dr. Dana Mullins, Chief of Party, VEGA/SAAGA Program
Physical Address: Country Club Estate, Building 2
Woodlands Drive, Woodmead 2157 South Africa
Mailing Address: P.O. Box 1701
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Tel: 27-011-258-8500 and Fax: 27-011-258-8551
Email: hoopoes4@mweb.co.za or dmullins@vegasafrica.org

This APS does not commit USAID/South Africa to award an agreement, or to pay any costs incurred in the preparation or submission of applications, or to procure or contract for services or supplies. USAID/South Africa reserves the right to reject any or all proposals, to negotiate with any applicant(s) considered qualified or to make award without further applicant negotiations.